May, 2012

FELLOWSHIP EXAMINATION
REINSURANCE

Time : 3 Hours ]
[ Total Marks : 100

Answer ANY FIVE questions only. All questions carry 20 marks each.

Q.1. Elaborate:
   a) Hours clause
   b) Bouquet of treaties
   c) From Ground Up (FGU)
   d) Bordereaux

Q.2. Write short notes on:
   a) Risks Inherent to Reinsurance
   b) Arbitration clause
   c) ART
   d) Uberrima Fides

Q.3. a) "Burning cost is the basis for rating working excess of loss treaties" - Explain with examples.
   b) "Insurers and Reinsurers lay different emphasis to various factors that go into the calculation of retention" - Discuss enumerating various factors which influence the retentions.

Q.4. a) Briefly explain primary objectives of Reinsurance Programme.
   b) What are the follow up and evaluation methods for a successful programme design?

Q.5. Examine the crucial role of reinsurance in addressing the limitation to the law of large numbers, preserving the income from investment and insulating shareholders' funds from unpredictable loss scenarios.

Q.6. a) What are the advantages of reinsurance?
   b) GIC Re plays a predominant role in the Indian non-life insurance market - comment.
Q.7. “A” Insurance Co. underwrites Fire business on PML basis. Show how a risk with Sum Insured of ₹ 500 crores with PML @ 25% is underwritten on following reinsurance facilities:

- Obligatory cession: 10% not exceeding ₹ 40 crores sum insured
- Net retention: ₹ 2 crores PML
- Market Fire Pool: 40% not exceeding ₹ 30 crores PML
- First Surplus Treaty: 30 lines not exceeding ₹ 50 crores PML
- Second Surplus Treaty: 20 lines not exceeding ₹ 30 crores PML
- Balance reinsured Facultatively.

Also calculate share of Net retained loss on a claim of ₹ 100 crores on the Risk.

Q.8. Calculate the profit commission on a sliding scale basis payable on:

a) annual basis
b) three year average basis

on the following treaty result for 2011:

- Premium: ₹ 85,00,000
- Portfolio entry:
  - Premium: ₹ 18,00,000
  - Loss: ₹ 43,00,000
- Commission: 30%
- Claims Paid: ₹ 65,00,000
- Portfolio withdrawal:
  - Premium: ₹ 8,00,000
  - Loss: ₹ 6,00,000
- Management Expenses: 7%
- Profit for 2009: ₹ 5,00,000
- Loss for 2010: ₹ 13,00,000

Profit commission 25% on profit upto 10% and 35% thereafter.

END
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